

ANALYSIS OF AMENDED BILL

Author: Burton Analyst: Kristina North Bill Number: SB 1230
Related Bills: None Telephone: 845-6978 Amended Date: June 16, 1999
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: California Peace Officer Memorial Foundation Fund

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

☒ DEPARTMENT POSITION CHANGED TO PENDING.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED/AMENDED _____ STILL APPLIES.

☒ OTHER - See comments below.

SUMMARY OF BILL

Under the Administration of Franchise and Income Tax Law, this bill would allow taxpayers to make a voluntary contribution on their personal income tax returns to the California Peace Officer Memorial Foundation Fund.

SUMMARY OF AMENDMENT

The June 8, 1999, amendment removed the prior bill language that was sponsored by the Franchise Tax Board and substituted the California Peace Officer Memorial Foundation Fund provisions.

The June 16, 1999, amendments increased the minimum contribution test amount from \$100,000 to \$250,000 and changed how the designated funds may be used.

EFFECTIVE DATE

This bill would be effective beginning on or after January 1, 2000, and would be repealed on January 1, 2006.

BACKGROUND

Twelve voluntary contribution funds appeared on the 1998 state tax return. Total contributions to the funds have declined from approximately \$3.4 million in 1989/1990 to approximately \$2.6 million in 1997/1998. The number of tax returns with voluntary contributions (first tabulated in 1993) remains fairly constant at 140,000 to 150,000, representing approximately 1% of all personal income tax returns filed.

Board Position:

_____ S	_____ NA	_____ NP
_____ SA	_____ O	_____ NAR
_____ N	_____ OUA	<u>X</u> PENDING

Department Director

Date

Gerald Goldberg

07/05/1999

SPECIFIC FINDINGS

Current federal law provides a true checkoff to direct \$3 of a taxpayer's tax liability to the presidential election fund. Designation of the \$3 amount does not affect a taxpayer's tax liability or refund amount.

Current state law allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to the 12 voluntary contribution funds listed on the state tax return. Each fund provides for the reimbursement of the FTB and Controller's costs to administer the fund.

Except for the California Seniors Special Fund, which has no sunset date, the voluntary contribution funds have various sunset dates. Attachment I shows the specific sunset dates for each voluntary contribution fund and indicates those funds which must meet a minimum contribution test (indexed \$250,000) to remain on the return. Attachment II is a chart indicating the number and dollar amount of contributions to the funds for multiple fiscal years.

This bill would establish the California Peace Officer Memorial Foundation Fund and would allow taxpayers to designate their own funds (not tax liability) to the fund on their tax returns in full dollar amounts in the amount of \$1 or more.

This bill specifies that the contributions must be used to build and maintain the California Peace Officer Memorial in Sacramento and for activities of the California Peace Officer Memorial Foundation in support of families of slain peace officers.

The contributions may be made individually by each signatory on a joint return. The designations for any taxable year must be made on the initial return for the taxable year and, once made, are irrevocable.

This bill would require the FTB to revise the forms of the return to include a designation space for the California Peace Officer Memorial Foundation Fund beginning with the 2000 tax return.

Beginning in 2000, **this bill** would require the fund to meet a \$250,000 minimum contribution test. Beginning in 2001, the FTB would be required to adjust the \$250,000 minimum contribution amount for inflation. If in any calendar year the FTB estimates by September 1 that contributions made under this bill will be less than \$250,000 (as indexed), the fund would be repealed and not appear on the tax return for that taxable year.

This bill would provide that a taxpayer's return be treated as if no designation had been made if payments and credits reported on the return, together with any other credits associated with the taxpayer's account, do not exceed the taxpayer's liability. In the event that no designee is specified, the designated contribution would be transferred to the General Fund.

This bill would provide that if a taxpayer designates a contribution to more than one fund on the tax return, and the amount available for contribution is insufficient to satisfy the total amount designated, the contribution would be allocated on a pro rata basis.

This bill would require the Controller to transfer from the Personal Income Tax Fund to the California Peace Officer Memorial Foundation Fund the total amount designated for contribution by taxpayers to that fund.

This bill would require all money transferred to the California Peace Officer Memorial Foundation Fund, upon appropriation by the Legislature, be allocated to: 1) the FTB and the Controller for reimbursement of costs incurred performing their duties under this article, and 2) the California Peace Officer Memorial Commission for building and maintaining the California Peace Officer Memorial in Sacramento, California, and for activities performed by the California Peace Officer Memorial Foundation in support of families of slain peace officers.

Notwithstanding the repeal of this article, **this bill** would specify that contribution amounts designated pursuant to this article would continue to be transferred and disbursed in accordance with the article as in effect immediately prior to its repeal.

Policy Considerations

The placement of voluntary contributions on the tax return limits the amount of space available for tax-related items. The inclusion of non-tax related information could ultimately impair tax collection and reduce administrative efficiency.

Implementation Considerations

This bill states legislative intent that "the 2000 tax return include a space for the California Peace Officer Memorial Foundation Fund." However, it is unclear if "the 2000 tax return" refers to the tax return for the 1999 taxable year filed in 2000, or the tax return for the 2000 taxable year filed in 2001. The author's office has stated its intent to refer to taxable year 1999 filed in 2000 and will be providing an amendment.

Currently, the tax forms suffer from serious space constraints. The forms and instructions were designed to accommodate up to 12 non-tax related voluntary contribution designations, currently taking up approximately one-fourth of a page on tax returns and approximately three-fourths of a page in the instruction booklets. To illustrate, on the Form 540EZ and the Form 540A, the taxable income calculations, tax and credits calculations, and the amount of refund or tax owed each occupy approximately one-eighth of a page, or half as much space as currently dedicated to voluntary contributions. No funds are set to expire in the 1999 tax year. This bill would require the addition of a 13th voluntary contribution fund.

The 13th voluntary contribution fund may require major design changes on certain forms. The existing 12 voluntary contribution funds will be double-stacked (two columns of reduced type size) on the 1999 tax return. Additional voluntary contribution designations would further exacerbate the existing space problems and potentially result in the removal of tax-related information to accommodate the non-tax related designations on the return.

Technical Considerations

Subsection (d) of proposed section 18808 is unnecessary as it duplicates general provisions for voluntary contributions contained in Section 18871(b). Amendment 1 provides the language to remove subsection (d).

FISCAL IMPACT

Departmental Costs

This bill should not significantly impact the department's costs.

Tax Revenue Estimate

Potential revenue losses would be very minor, \$15,000 or less annually beginning with fiscal year 2001/2002.

Any possible changes in employment, personal income, or gross state product that might result from this measure are not taken into account.

Tax Revenue Discussion

According to departmental data, the total amount of voluntary contributions was over \$2.6 million for fiscal year 1997/1998 with an average of \$204,000 per designated fund. Assuming 1) the voluntary contribution first appears on the 1999 tax return filed in 2000; 2) the \$250,000 threshold would be exceeded each year for continuation of the voluntary contributions; 3) the contributed amounts are included in itemized charitable deductions; 4) a 2% annual growth in contributions; 5) an average marginal tax rate of 6%; and 6) no reductions for other contributions normally reported; the annual revenue losses as a result of itemized deductions of these contributions would be on the order of \$15,000 beginning in the year 2001/2002.

BOARD POSITION

Pending.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO SB 1230
As Amended June 16, 1999

AMENDMENT 1

On page 5, strikeout lines 11 through 15.